

Michigan Department of Community Health Outpatient Prospective Payment System (OPPS) Project Decisions Documentation	TITLE / ISSUE :	
	Daily Lab Limit - PROPOSED	
	POINT PERSON	DATE INITIATED/REVISED
	Steven Ireland/Toni Hornberger	2/6/06
Issue Description: <p>Currently the State Of Michigan utilizes a \$75 daily lab limitation. Certain high-cost procedures are excluded from the limit. With the application of the proposed outpatient prospective payment system, will the State continue to apply the limit? What is the effect?</p>		
Research and Discussions Summary <p>The data set approved for this project (first quarter 2005 paid claims) was analyzed. New lab rates typically are paid at 90% of Medicare's lab rate. All labs paid in the data set totaled less than 65% of Medicare's anticipated payment (without regards to other payors). We also analyzed the top 50 most utilized labs and compared the rates to Medicare's. We found our current fee schedule on average pays less than 65% of Medicare – and the top 50 codes account for over 50% of all lab services.</p> <p>The daily lab limit was implemented to increase the predictability of annual payments for lab services. Certain evidence supported the proposition that lab services were being over-utilized – thus the daily limit.</p>		
Conclusion <p>With the application of the reduction factor, the evidence clearly supports that the lab limitation will not be needed.</p>		
Action Required (systems, publications, etc.) <p>Notification in policy bulletin. Compile evidence. Post implementation monitoring.</p>		